

01676

1994/02/02

CRS Issue Brief

Taiwan: Recent Developments and U.S. Policy Choices

Updated February 2, 1994

by
Robert G. Sutter
Office of Senior Specialists



CONTENTS

SUMMARY

MOST RECENT DEVELOPMENTS

BACKGROUND AND ANALYSIS

- U.S. Interests in Taiwan
- U.S.-PRC-Taiwan Relations Since 1979
 - The Issue of Diplomatic Recognition
 - Current Issues in PRC-Taiwan Relations
 - International Competition
 - Bilateral Contacts
 - Competing U.S. Policy Choices
- Economic and Political Issues
 - Economic Prospects and Concerns
 - Competing U.S. Policy Choices
 - Political Liberalization
 - Competing U.S. Policy Choices

LEGISLATION

CHRONOLOGY

FOR ADDITIONAL READING

Taiwan: Recent Developments and U.S. Policy Choices

SUMMARY

Recent U.S. policy concerns toward Taiwan center on striking a proper balance between increasing ties with the People's Republic of China (PRC) on the mainland while sustaining support for "old friends" in Taiwan. Despite the eased tensions in the Taiwan Strait and extensive Taiwan trade with and investment in the China mainland, the two sides remain politically far apart and compete sharply for influence with the United States and other powers.

Taipei was encouraged and Beijing dismayed by two actions of the Bush Administration: its decision in September 1992 to depart from previous U.S. arms sales restraints and sell 150 F-16 fighters to Taiwan and its move in December 1992 to send a cabinet-level official to Taiwan for the first time since the 1970s. In late 1993, Beijing was encouraged and Taiwan discouraged by the Clinton Administration's strong reaffirmation of a "one-China" policy favored by Beijing in the face of moves by Taipei to gain entry into the United Nations and other bodies as one of two governments representing China.

U.S. policy in this triangular U.S.-PRC-Taiwan relationship is complicated because:

- Many in Congress favor formal efforts to go beyond Administration policy in order to strengthen U.S.-Taiwan relations in ways sure to antagonize the PRC;

- Taiwan decisionmakers are moving away from past advocacy of one China to positions favoring an official status for Taipei that would both complicate the U.S. "one China" policy and challenge Beijing's claim to sovereignty over the island; and
- Decisionmakers in Beijing show little sign of deviating from the firm stance on China's claim to Taiwan laid down by the octogenarian Deng Xiaoping.

Meanwhile, American policy-makers in Congress and elsewhere have shown strong interest in Taiwan's economic and political developments. U.S. officials want to pursue investment opportunities and take steps to ease trade issues, notably Taiwan's large trade surplus with the United States. They also continue to encourage political democratization on the island, even though it fosters separatist tendencies that complicate the official U.S. "one China" policy.

Congress for many years has played a central role in determining U.S. policy toward Taiwan. The 103rd Congress has seen several Taiwan-related legislative initiatives designed to strengthen U.S.-Taiwan relations in regard to arms sales, membership in the United Nations, higher-level U.S. official visits, and other areas.

MOST RECENT DEVELOPMENTS

In Congress, decision points in early 1994 relate to legislation regarding issues in U.S. policy toward Taiwan and the People's Republic of China (PRC) that would

- support Taiwan's entry into the U.N. and other international organizations (S.Con.Res. 20, H.Con.Res. 148, S.Con.Res. 45);*
- promote arms sales to Taiwan (S. 1281, Section 707; S.Rept. 103-142, p. 118); and*
- designate Taiwan, rather than China, on U.S. passports of Taiwanese-Americans (S. 1281, Section 187).*

The Clinton Administration for its part has strongly affirmed support for a "one-China" policy favored by Beijing as part of a broader, more positive U.S. policy toward mainland China. In Taiwan, by contrast, the ruling Nationalist Party formally endorsed a "two-Chinas" stance, while the opposition party, which favors independence for Taiwan, received over 40% of the vote in island-wide elections on Nov. 27, 1993. Ostensibly unofficial delegates from mainland China and Taiwan met in Taipei on Dec. 17, 1993, to discuss cross-Strait issues.

BACKGROUND AND ANALYSIS

U.S. Interests in Taiwan

The long-standing U.S. involvement with the government of Taiwan has its roots in the World War II alliance with the Nationalist Chinese administration of Chiang Kai-shek. U.S. military protection and over \$5 billion in military and economic aid allowed Chiang and his one-party government to consolidate their position on Taiwan, to which they had retreated following the Communist victory on the mainland in 1949. U.S. support was also instrumental in helping Taiwan develop a strong, export-oriented economy, characterized by sustained rapid growth.

Today, the United States is Taiwan's main foreign investor and trading partner. U.S. markets receive about 25% of Taiwan's exports. The United States supplies a much smaller percentage of Taiwan's imports. Overall, the imbalance in U.S. trade with Taiwan led to a \$9.4 billion U.S. trade deficit in 1992 -- third largest for the United States after Japan and China.

Taiwan-manufactured electronic goods, textiles, and other consumer products make up the bulk of Taiwan exports to the United States, while Taiwan imports from the United States consist primarily of agricultural products, industrial raw materials, and capital equipment. The close relationship between U.S. investment and Taiwan exports to the U.S. is seen in Taiwan's electronics industry. It is the most important industrial export sector and the largest recipient of U.S. investment (i.e., U.S. corporations invest in Taiwan to produce electronic goods or components for shipment to the U.S. market).

Taiwan's recent high level of foreign exchange reserves (\$80 billion) and its ambitious \$300 billion, 6-year development program for the 1990s have also attracted strong U.S. attention. Many U.S. leaders are anxious to encourage Taiwan enterprises to invest in the United States and are interested in assuring U.S. firms can compete for a share of the work involved in Taiwan's new development program.

Taiwan's economic development contributes to continued political stability on the island. Taiwan's per capita income is over \$10,000 per year. The economy distributes wealth in a relatively balanced way that gives all major sectors in society an important stake in continued economic progress. The benefits of economic prosperity tended to offset the political costs of opposition to the 40 years of authoritarian, one-party rule by the Chinese Nationalists. The Nationalists continue to follow the political legacy of Chiang Kai-shek, who died in 1975. Thus, while they focus their attention on Taiwan, they insist that they govern the island as part of their mandate as the legitimate government of all of China. They call their government "the Republic of China (ROC)."

American officials long criticized the perceived excesses of the Nationalists' authoritarian rule and pressed for increased political liberalization that would allow the more than 85% of the population whose roots on the island predate 1949 to have a greater role in running their own affairs. Americans broadly support the considerable progress toward democracy in Taiwan made since martial law was lifted in 1987.

U.S. security interests in Taiwan have changed markedly from the 1950s and 1960s, when U.S. forces used the island as a forward base against Sino-Soviet communism in Asia. After the Sino-Soviet split, President Nixon's opening to Beijing, and the major pullback of U.S. forces in Asia under guidelines of the "Nixon doctrine," U.S. officials viewed the mainland government more as a strategic asset against the U.S.S.R. than an adversary to be confronted in the Taiwan Straits. The United States in 1979 broke defense and other official ties with Taiwan to establish formal diplomatic relations with the PRC. The United States subsequently affirmed its security interests in Taiwan through the Taiwan Relations Act (TRA) and the continued supply of U.S. arms to Taiwan. But this reflected a moral commitment to a former ally rather than U.S. interest in using Taiwan's strategic position for broader policy ends. With the thaw in the Cold War in the late 1980s and subsequent collapse of the Soviet Union, U.S. interest in the PRC as a "strategic asset" in global politics declined.

U.S.-PRC-Taiwan Relations Since 1979

The Issue of Diplomatic Recognition

The governments in both Beijing and Taipei have claimed that they represent all of China, including Taiwan. Both long agreed that diplomatic recognition of one foreclosed recognition of the other, until 1989, when Taipei began to show some flexibility on this issue (see discussion below). On Jan. 1, 1979, the United States switched its diplomatic recognition from Taipei to Beijing. In the U.S.-PRC joint communique that announced the change, the United States recognized the government of the People's Republic of China (PRC) as the sole legal government of China and acknowledged the Chinese position that there is but one China, and Taiwan is part of China. The joint communique also stated that "within this context, the people of the United States will maintain cultural, commercial, and other unofficial relations with the people of Taiwan."

The Taiwan Relations Act (TRA), P.L. 96-8, signed Apr. 10, 1979, created domestic legal authority for the conduct of unofficial relations with Taiwan. American interaction with Taiwan is facilitated through the American Institute in Taiwan (AIT),

a "nongovernmental" entity. Taiwan's counterpart organization is the Coordination Council for North American Affairs (CCNAA).

On Jan. 1, 1979, at the time of derecognition, the United States notified Taiwan authorities of intent to terminate the 1954 U.S.-ROC Mutual Defense Treaty effective Jan. 1, 1980. In a unilateral statement released on Dec. 16, 1978 (issued concurrently with the Joint Communiqué on the Establishment of Diplomatic Relations between the United States and the People's Republic of China), the United States declared that it "continues to have an interest in the peaceful resolution of the Taiwan issue and expects that the Taiwan issue will be settled peacefully by the Chinese themselves."

Since derecognition, the United States, in accordance with the TRA, has continued the sale of selected defensive military equipment and defense technology to Taiwan. These sales have often prompted strong objections from the PRC. On Aug. 17, 1982, a U.S.-PRC joint communiqué addressed this point. In that communiqué, the PRC cited a "fundamental policy" of striving for a peaceful solution to the Taiwan question. With that Chinese policy in mind, the United States stated in the communiqué that

It does not seek to carry out a long-term policy of arms sales to Taiwan, that its arms sales to Taiwan will not exceed, either in qualitative or quantitative terms, the level of those supplied in recent years since the establishment of diplomatic relations between the United States and China, and that it intends to reduce gradually its sales of arms to Taiwan.

U.S. Government arms sales levels slowly declined, but remained over \$600 million a year. Taiwan's 1992 purchase of 150 F-16 aircraft (worth \$5.9 billion) represented an exception to this trend. U.S. transfers of military-related technology have allowed Taiwan to develop advanced fighter aircraft and other military equipment to defend the island.

U.S. commercial ties with Taiwan have expanded since the 1979 derecognition. Taiwan continues to enjoy Export-Import Bank financing, Overseas Private Investment Corporation (OPIC) guarantees, most-favored-nation status, and ready access to U.S. markets. For several years, Taiwan was the largest beneficiary of the U.S. Generalized System of Preference (GSP) program. In 1988 Taiwan "graduated" from the GSP program. Because of rapid advances in Taiwan's economic growth, the U.S. Agency for International Development (AID) Mission in Taiwan closed in 1965; more than \$1.7 billion in U.S. economic aid was provided between 1949 and 1965.

The switch in U.S. recognition and the 1982 communiqué on arms sales to Taiwan did not remove the so-called Taiwan issue in U.S.-PRC relations. Beijing for many years has encouraged Taipei leaders to begin talks leading to a peaceful reunification of Taiwan with the mainland. It finds that continued U.S. support, especially U.S. arms sales, reduces Taipei's interest in negotiations. It thus concludes that smooth U.S.-PRC relations will require the removal of what it sees as the continued "obstacle" of U.S. arms sales to Taiwan. More recently, PRC officials have alleged U.S. support for those in Taiwan seeking "independence" or an identity for Taiwan formally separate from the mainland.

On Sept. 2, 1992, President Bush announced that the U.S. would agree to sell 150 F-16 fighters to Taiwan; details of the deal were worked out in an agreement signed on Nov. 12, 1992. The deliveries, 32 per year, will start in 1996. Beijing protested strongly this "violation" of the 1982 communique while the Administration stated that the proposed sales were consistent with the communique. Meanwhile, U.S. Trade Representative Carla Hills visited Taiwan in December 1992, marking the first visit of such a high-level U.S. official since 1979.

On July 15, 1993, the Senate Foreign Relations Committee passed an amendment to the 1994-1995 State Department authorization bill (S. 1281) that would amend the Taiwan Relations Act to supersede any provision of the August 1982 communique limiting U.S. arms sales to Taiwan.

Current Issues in PRC-Taiwan Relations

For many years U.S. policy toward Taiwan and the mainland represented a three-sided, zero-sum game among U.S., PRC, and Chinese Nationalist leaders. U.S. policymakers could assume that improvements in U.S. relations with Beijing would be viewed negatively by the Chinese Nationalists in Taipei; and improvements in U.S. relations with Taipei would be seen negatively in Beijing. The Chinese Communists in Beijing and Chinese Nationalists in Taipei, though no longer actively fighting militarily, were engaged in a protracted political struggle in which relations with the United States were a key point of contention.

The ending of martial law in 1987 and subsequent rapid political liberalization in Taiwan changed this equation substantially in several ways. Chinese Nationalist leaders no longer seek to tightly limit unofficial contacts with the PRC, resulting in more than 4.2 million visits from Taiwan to the mainland between 1987 and 1992. Taiwan annual trade and cumulative investment in the mainland reached an estimated \$10 billion each by 1993. The Taipei leadership also no longer appears as unified as in the past in support of a one-China policy. Political liberalization has allowed the emergence of a viable opposition party, the Democratic Progressive Party (DPP), which publicly supports Taiwan self-determination. Generational and other changes have given rise to a Chinese Nationalist leadership whose roots are in Taiwan, in comparison to earlier Nationalist leaders, like Chiang Kai-shek, whose roots were on the mainland. The new generation of Nationalist leaders is thought to be more ambivalent about the goal of China reunification and more concerned with nurturing progress on Taiwan.

These changes alter U.S. policy concerns. What had been a fairly predictable three-cornered affair now has at least four sides, with the addition of the DPP. And, it is not uniformly a zero-sum affair, as the PRC and Taipei no longer have an exclusively competitive relationship but choose to cooperate on important bilateral subjects, notably trade, investment, and unofficial visits.

International Competition. Beijing and Taipei continue to compete strongly for official international recognition. At present, Beijing holds the upper hand, as most large or otherwise important countries have recognized Beijing and broken official ties with Taipei. Taiwan has official relations with fewer than 30 countries, and most are small. Taipei has also lost out to PRC pressure in most official international organizations. Compromises have been reached allowing Taipei to continue participating in the Asian Development Bank and to join the forum on Asia Pacific

Economic Cooperation (APEC), along with the PRC and Hong Kong, in November 1991. Taipei has also focused recently on gaining entry to the U.N., U.N. affiliates, the GATT and other official international organizations. Beijing either opposes such representation for Taiwan or sets conditions compatible with its interests.

The Chinese Nationalist leadership has endeavored to offset this adverse international trend by engaging in what it calls "pragmatic diplomacy." Under recently sanctioned policy guidelines of "one country-two governments" or "one country-two areas," Taipei officials attempt to win official recognition from countries already having official ties with Beijing. Thus far, Taipei has won over a handful of small countries in this way. The expense involved -- Taipei usually accompanies its diplomatic initiatives with offers of assistance -- has provoked controversy in Taiwan. Since the PRC still insists that it is the only legitimate government of China, it breaks relations with countries that establish official ties with Taipei.

Another channel focuses on Chinese Nationalist officials' efforts to build ties, short of formal official relations, with a wide range of important developed and other countries. This so-called "substantive" diplomacy has seen dozens of countries upgrade their informal offices or other interactive mechanisms to manage effectively their growing economic interchange with Taiwan. By 1993, Taiwan claimed to have unofficial relations with 150 countries, to have established 90 offices in 60 countries that did not maintain diplomatic relations with Taiwan, and to be the site of 37 offices of foreign governments that did not maintain diplomatic relations with Taiwan.

Bilateral Contacts. Since at least 1979, Beijing has consistently supported contacts across the Taiwan Straits as a means to encourage Taipei to begin negotiations with Beijing on reunification of Taiwan with the mainland on terms acceptable to the PRC. Beijing's interest in cross-Straits contacts rose following the 1984 PRC-British agreement, which set forth a PRC-backed "one country-two systems" model established by senior leader Deng Xiaoping to govern Hong Kong's return to China's sovereignty that Beijing said should also govern Taiwan's return to the mainland. Taipei rejects the "two-systems" approach because it would give its administration inferior status to that of the PRC.

Fearful of becoming ensnared in formal negotiations with the PRC, where Taipei would clearly be the smaller and weaker party, the Nationalist administration for years stuck to a policy known as the "three nos" -- no contacts, no negotiations, no compromise with Beijing until the PRC met strict conditions requiring the end of communism on the mainland. However, after the lifting of martial law in Taiwan in 1987, the Nationalists faced popular internal pressure to increase advantageous economic and other contacts with the PRC and saw a need to take a series of measures to regulate the strong flow of contacts and control their policy implications. Taiwan's president, Lee Teng-hui, convened a National Unification Council in October 1990 to advise on these matters; later that year a Mainland Affairs Council was set up under the prime minister to direct cabinet-level policy on Taiwan-mainland relations; in May 1991, President Lee ended the state of civil war with the PRC and opened the way to official contacts under the "one country-two governments" formula. An ostensibly unofficial body, the Strait Exchanges Foundation, was established and after some uncertainty proved able to deal with important practical issues in cross-Straits relations. The PRC set up a counterpart body, known as the Association for Relations Across the Taiwan Straits, in December 1991. Representatives of the two bodies met for formal

negotiations on Apr. 27-29, 1993, and signed agreements on several practical matters. Follow-up talks took place later in the year on hijackings and other problems.

Democratic Progressive Party leaders view the progress in PRC-Taiwan relations with some concern. They are careful not to stand against the popular support for greater Taiwan trade, investment, and other unofficial exchanges with the mainland; but they oppose the Nationalists' repeated calls for eventual reunification, arguing that a plebiscite should be held in Taiwan to determine Taiwan's future status. DPP calls for self-determination and independence sometimes prompt harsh warnings from Beijing that it will resort to force to prevent moves toward formal separation of Taiwan from the mainland.

Nationalist leaders sometimes have been effective in referring to the PRC "threat" to encourage voters in Taiwan to steer away from "radical" DPP candidates and support the Nationalists and the status quo. At the same time, DPP leaders have capitalized on Beijing's relentless diplomatic competition against Taipei to argue that Taiwan would be better off internationally as a *de jure* separate state than in its current claimed status as the government, or at least one government, in China. DPP backers also aver that support for separation can be seen in trends such as Beijing's recently less-influential global stature (due to the collapse of the Soviet bloc and PRC human rights, proliferation, and trade policies) and the precedent of international acceptance of self-determination of entities in the former Soviet Union and Yugoslavia.

Competing U.S. Policy Choices

Strong U.S. supporters of the Nationalist government, encouraged by that government's vigorous public relations efforts, remain a force in American politics. Generally, they see U.S. interests as best served by following policy options that support, or are compatible with, the concerns of the Nationalist administration. In particular, they encourage U.S. policy to take strong action to support Taiwan's international identity and security in the face of the communist mainland. They also contend there is a need for more advanced U.S. military equipment for Taiwan in view of Beijing's increasing military capabilities, including the recent purchase of advanced fighters from Russia. Specifically, they would like the United States to:

- Back Taipei's position vis-a-vis the PRC in the U.N. and in other international organizations such as the Asian Development Bank, the GATT, and U.N.-affiliated organizations;
- Support Taiwan's efforts to raise its international profile under the rubric of pragmatic diplomacy;
- Use the Taipei administration's preferred title, the "Republic of China";
- Send senior U.S. officials to Taiwan and grant Taiwan official access to higher-level U.S. officials in Washington;
- Supply weapons, and support legislation advocating supplying weapons, more advanced and in larger quantities (e.g., 150 F-16s) than those recently supplied by the United States; and

- Firmly rebuff PRC efforts to obtain U.S. support for negotiations between the PRC and Taiwan.

Opponents of this approach support a contrasting set of policy choices. They are concerned with sustaining Asian stability and avoiding an added burden to U.S. relations with the PRC. They stress that the United States should avoid actions regarding Taiwan that they believe would provoke a negative and possibly hostile PRC response. Thus, they support strict compliance with the U.S. commitment to reduce arms sales to Taiwan, oppose the proposed sale of F-16 fighters to the island, and oppose Taiwan's bid to enter the U.N. They also believe that the U.S. position in the Asian Development Bank, GATT, or other public forums should not identify Taiwan as the "Republic of China." Some in this group advocate U.S. support for PRC efforts to encourage greater contacts with Taiwan, even though the Taiwan administration sometimes opposes such contacts.

A third set of policy approaches comes from Members of Congress and elsewhere who identify with the political opposition in Taiwan. Some want the U.S. policy commitment to an ambiguous "one-China" principle to be changed in order to support the right of the people on Taiwan to determine their own official status, even if such a U.S. move would alienate both the Nationalist authorities and the PRC leadership. However, this is seen by others as committing the United States to support a course of action that, if taken by Taiwan, could lead to armed confrontation with the mainland. The principle of self-determination enjoys a long history of support in the United States and is consistent with recent U.S. policy in the former Soviet Union, Yugoslavia, and elsewhere. It is also said that, despite strong warnings and capabilities, neither Communists nor Nationalists are prepared to take forceful action to block Taiwan self-determination if that indeed is what the people in Taiwan want. On a more practical level, many Taiwanese-Americans support an amendment to S. 1281 backed by Senator Pell that would allow their passports to say they were born in "Taiwan," not "China" as is currently done and as is favored by both the Beijing and Taipei governments.

Economic and Political Issues

Economic Prospects and Concerns

Prospects for continued economic growth in Taiwan are reasonably good. The economy has grown rapidly (over 10% in 1986 and 1987, and 7% in 1988 and 1989; growth slowed to 5%-6% in the 1990s). In 1991, Taipei announced a \$300 billion economic development plan over 6 years to help push the economy forward more rapidly in the 1990s.

Taiwan's economy remains vulnerable to rises in oil prices, decline in the U.S. economy, and international protectionism, especially in the United States. Taiwan's GNP growth depends heavily on exports, and about 25-30% of these exports go to the United States. (Leading exports to the United States include wearing apparel and footwear, toys, and various electronic products.)

In recent years, Taiwan government officials have attempted to accommodate increased U.S. pressure on trade issues. They met many U.S. demands for greater market access for U.S. goods and services and responded to U.S. complaints by taking stronger measures to protect U.S. copyrights and other intellectual property rights. A key change has been the Taiwan government's willingness to arrest, try, and punish those who violate existing law. (In the past, such culprits often received only light sentences, if they were prosecuted at all.) Taiwan's legislature passed important copyright legislation on Apr. 22, 1993. On Apr. 30, 1993, the U.S. Trade Representative placed Taiwan on a special 301 priority watch list, but decided not to take immediate retaliatory action. Such action had been anticipated if Taiwan did not pass the copyright legislation. In 1993, the U.S. also began to press Taiwan, as well as mainland China, to observe practices designed to halt the trade in both areas in endangered species (e.g., tigers and rhinoceroses).

In response to U.S. and other pressures, Taiwan in the late 1980s allowed the value of its currency, relative to the U.S. dollar, to rise over 30%. Nevertheless, a U.S. Treasury Department report of May 12, 1992, named Taiwan among those foreign nations that manipulate exchange rate policies to prop up their trade balances with the United States.

The U.S. trade deficit with Taiwan rose from \$10.1 billion in 1984 to \$12.1 billion in 1985; \$15.7 billion in 1986; and \$19 billion in 1987. It then declined to \$13 billion in 1988; \$12 billion in 1989; \$11.2 billion in 1990, about \$10 billion in 1991, and \$9.4 billion in 1992.

A different set of economic issues flows from Taiwan's large foreign exchange reserves and growing international economic power. On the one hand, this trend prompts U.S. and other foreign officials and business representatives to seek investment or financial support from Taiwan. On the other hand, it prompts some Americans to worry that Taipei enterprises may use acquisitions of distressed U.S. companies to gain quick entry into important markets heretofore dominated by the United States. A notable case in point came in November 1991 when McDonnell Douglas Corporation announced it had agreed to sell a large interest in its commercial jetliner business to Taiwan investors. Twenty-nine U.S. Senators sent a letter to President Bush on Nov. 19, 1991, expressing concern over the deal's implications for the U.S. technological lead, built at great cost, in the aerospace industry. The proposed deal was never completed, in part because of resistance in Taiwan.

Competing U.S. Policy Choices. Many Americans concerned with the large U.S. trade deficit call for strong action (possibly including limitations on foreign access to U.S. markets) to improve the U.S. trade balance. They recognize that such action could negatively affect the economic prosperity and related political stability of a number of important U.S. trading partners, including Taiwan. But they judge that the United States has little choice but to take firm measures to protect its own markets and economic advancement.

Concern with American industrial competitiveness also motivates Americans who question the sale of sophisticated U.S. industries to wealthy Taiwan enterprises. They favor strict review of such sales to insure that Taiwan investors do not reap a large competitive advantage through investment in hard-pressed but technologically advanced U.S. companies.

An opposing view comes from U.S. supporters of the Nationalist government and the political opposition, Americans concerned with promoting greater political democracy and continued economic prosperity in Taiwan, and free trade advocates who tend to oppose measures designed to restrict foreign exporters' access to U.S. markets. They emphasize the potential negative results in terms of U.S. investment in Taiwan, Taiwan investment in the United States, and U.S. interest in the political and social stability long associated with economic prosperity in Taiwan. They also emphasize the negative results for U.S. interests in a free international trading system that they believe would result from restrictive trade legislation or administrative actions.

Political Liberalization

Under Chiang Kai-Shek's leadership, the Nationalist Party-dominated government ruled in a sometimes harsh authoritarian fashion. It pursued policies of a strong national defense against the communist mainland and export-oriented economic growth. It tolerated little open political dissent.

In the 1970s, the U.S. and most developed countries recognized the PRC and broke official ties with Taipei. Under international pressure, Taiwan lost the China seat in the U.N. and most official international bodies.

These international setbacks challenged a major source of the political legitimacy of the Nationalist regime. It was harder to argue that people on Taiwan should accept and pay for an elaborate central government administration that included a majority of representatives who were elected on mainland China prior to the Communist victory there and Nationalist retreat to Taiwan in 1949. Nationalist leaders, especially Chiang Kai-shek's son, Chiang Ching-kuo, emphasized other elements in support of the Nationalists' rule, noting in particular the leadership's successful supervision of Taiwan's dramatic economic progress. Chiang and his associates also were at pains to introduce to power more "Taiwanese" -- 85% of the island's population whose roots go back to Taiwan prior to the influx of two million "mainlanders" associated with the Nationalist regime at the time of the Communist victory on the mainland. The vast majority of the Nationalist party's rank and file were Taiwanese, and important local dignitaries, including the current President, Lee Teng-hui, were raised to high positions.

A combination of international and domestic pressures accelerated the pace of political reform in the middle and later 1980s. Authoritarian rule was overthrown in the Philippines and South Korea. Encouraged by the events, Taiwan opposition leaders announced in September 1986 that they had formed a formal opposition party, the Democratic Progressive Party. In a December 1986 election under their new banner, the DPP candidates received about 22% of the vote, an increase over the 17% received by opposition politicians who ran without party affiliation in the last such election in 1983.

President Chiang Ching-kuo ended martial law in July 1987. The opposition shifted focus to calls for an overhaul of Taiwan's National Assembly, Legislative Yuan and Control Yuan -- important legislative bodies still dominated by mainlanders elected over 40 years earlier; the direct election of the President by the people; and the Taiwan people's right to determine their international status. Following Chiang Ching-kuo's death in January 1988, the new President, Lee Teng-hui, reaffirmed a commitment to

reform that would legalize opposition parties and restructure parliamentary bodies. An election held in December 1989 saw the Nationalist Party get about 65% of the vote and the DPP over 30%.

Highlights of subsequent reform efforts follow.

- May 1991. President Lee ended the state of civil war with the PRC and the associated "temporary provisions" that had given Nationalist leaders "emergency" powers to deal with dissent.
- December 1991. Members of legislative bodies elected in the mainland over 40 years ago retired. An election was held on December 21 to fill 325 seats in a new National Assembly. The Nationalists won 71% and the DPP about 24% of the vote.
- 1992. The new National Assembly began what became a long process to revise the constitution. Issues included how the President is elected; how the central government relates to provincial and local governments; and whether the central executive should have a presidential system, a parliamentary system, or some other system. At present, the central government has important aspects of both presidential and parliamentary systems, which lead to ambiguity about the respective powers of the President and the Prime Minister in particular. The actual outcome of initial revisions did not deal with these problems but enhanced the power of the National Assembly relative to other government bodies.

Elections for the Legislative Yuan took place on Dec. 19, 1992. The Nationalist Party did poorly, getting only 53% of the vote. The DPP got 31%. By combining with Nationalist Party members who ran without party endorsement, the Nationalists controlled 103 seats in the new legislature; the DPP had 50 seats. The Nationalist majority was reduced when six legislators joined with others to form a new political party, the Chinese New Party, in August 1993.

- 1993. Elections for county magistrates and other local officials were held on November 27. The Nationalists won 13 seats and the DPP only six. But, the popular vote saw the Nationalist Party for the first time sink below 50% (47%) and the DPP rise to 41%.
- 1994. Elections for the governor of Taiwan and mayors of Taipei and Kaohsiung to be held.
- 1996. An election to determine the President is planned to be carried out under whatever terms are set forth in the constitutional revision.

Competing U.S. Policy Choices. Americans strongly concerned with promoting democracy abroad have joined with small but well-organized groups of Taiwanese-Americans to push for greater U.S. efforts to promote political liberalization in Taiwan. They argue that U.S. pressure is needed to force the Nationalists to reduce political restrictions and allow the development of a truly multi-party democratic political system on Taiwan. Some of these groups urge U.S. support for Taiwan's self-

determination, fearing that the alternative is an inexorable movement of Taiwan toward unification with what they see as a brutal and corrupt PRC administration.

An opposing view comes from Americans who identify closely with the Chinese Nationalist administration and urge U.S. support for Taipei's gradual and incremental efforts to develop greater political liberalization on Taiwan. Meanwhile, these Americans and those keenly concerned with U.S. relations with the PRC warn of a serious problem for U.S. interests stemming from greater political liberalization in Taiwan. They judge that such liberalization might lead to overt moves like a plebiscite or other action that would establish a separate identity for Taiwan vis-a-vis the mainland. They see such separation deepening the already serious U.S.-PRC differences over Taiwan, and possibly endangering the stability in the Taiwan Straits. They aver that the current "studied ambiguity" of the one-China principle governing U.S. China policy provides little guidance on how to handle this kind of delicate policy situation, which many U.S. officials would prefer to avoid.

LEGISLATION

S.Con.Res. 20 (Lieberman)

Expresses the sense that Taiwan should be represented in the United Nations and other international organizations. Introduced Mar. 23, 1993; referred to Committee on Foreign Relations. [See also H.Con.Res. 148 (Solomon); S.Con.Res. 45 (D'Amato); and S.Res. 148 (Simon).]

H.R. 763 (Crane)

Establishes free trade areas with Pacific Rim countries, including Taiwan. Introduced Feb. 3, 1993; referred to Committee on Ways and Means.

S. 1281 (Pell)

Contains provisions amending the Taiwan Relations Act to allow more U.S. arms sales to Taiwan and allowing "Taiwan" instead of "China" to be designated as the place of birth on U.S. passports. Introduced July 23, 1993; reported (S.Rept. 103-107) same day. Senate passed H.R. 2333 in lieu on Feb. 2, 1994.

S. 1467 (Pell)

Contains provision that calls for high-level U.S.-Taiwan official exchanges. Introduced Sept. 16, 1993; reported (S.Rept. 103-144) by Committee on Foreign Relations same day.

CHRONOLOGY

12/17/93 --- Ostensibly unofficial delegates from mainland China and Taiwan met in Taipei to discuss cross-strait issues, notably problems caused by a spate (10 in 1993) of hijackings of mainland airplanes to Taiwan.

- 11/27/93 --- Island-wide elections saw the Nationalists do well in gaining 13 seats but do poorly in the popular vote, falling under 50% for the first time (47%). The DPP received an unprecedented 41% of the popular vote, but party chairman Hsu Hsinliang resigned over the DPP's failure to gain more seats (6).
- 11/20/93 --- Taiwan's Representative at the APEC meeting in Seattle gave a strong endorsement to the view that there are two "sovereign states" in China. This represented the Nationalist government's most explicit endorsement of "two Chinas."
- 09/22/93 --- The U.N. committee concerned rejected a proposal for the General Assembly to consider Taiwan's entry into the U.N.
- 09/21/93 --- In a compromise worked out with the U.S., President Lee declined President Clinton's invitation to the APEC leaders meeting in Seattle, nominating a senior economic official to attend in his place.
- 08/31/93 --- The PRC released a lengthy and unprecedented "white paper" on Taiwan complaining about moves toward Taiwan independence, foreign arms sales, and efforts to get Taiwan into the U.N.
- 08/08/93 --- Legislators Jaw Shau-kong, Wang Chien-shien, and other members of the "New Kuomintang Alliance," a faction of the ruling Nationalist Party, announced they would formally apply on August 25 to establish a new political party, the Chinese New Party.
- 05/09/93 --- *Defense News* said Lockheed is proposing a \$60 million offset arrangement to ease reported Taiwan resistance to the terms of the \$5.9 billion F-16 sale to Taiwan.
- 4/27-29/93- Senior representatives of the ostensibly unofficial Taiwan and mainland organizations dealing with exchanges across the Taiwan Straits held talks in Singapore.
- 12/23/92 --- Beijing ordered France to close its consulate in Guangzhou in response to Paris's decision to sell 60 Mirage 2000-5 jet fighters to Taiwan.
- 12/19/92 --- Legislative elections saw the Nationalist Party do more poorly than expected, garnering 53% of the popular vote; the opposition DPP got 31% of the vote.
- 12/02/92 --- U.S. Trade Representative Carla Hills began a visit to Taiwan.
- 11/18/92 --- Taipei press reported that agreements were signed covering the sale of 60 Mirage 2000-5 jet fighters to Taiwan.
- 11/12/92 --- The U.S. and Taiwan signed a formal agreement covering the sale of 150 F-16A/B fighters to Taiwan, with deliveries (32/year) to start in May 1996.
- 09/02/92 --- President Bush agreed to sell 150 F-16 jet fighters to Taiwan.

- 08/24/92 --- South Korea established formal diplomatic relations with Beijing. Taipei severed relations with Seoul.
- 12/21/91 --- A National Assembly election was a setback to the DPP, which got less than 24% of the vote, as opposed to the Nationalists, who received over 71%.
- 08/29/91 --- Using a compromise formula, Taiwan agreed to join the Asia-Pacific Economic Cooperation (APEC), along with the PRC and Hong Kong.
- 07/19/91 --- President Bush sent a letter to several Senators promising to "work actively" for Taiwan's entry into GATT.
- 12/22/90 --- President Lee laid out an ambitious program for political change.
- 07/21/90 --- Saudi Arabia established official relations with Beijing and broke official ties with Taiwan.
- 07/04/90 --- A National Affairs Conference ended with a call for major constitutional and legal reform in Taiwan.
- 03/21/90 --- Lee Teng-hui was elected president by the National Assembly.
- 12/02/89 --- Elections in Taiwan saw the opposition DPP garner over 30% of the popular vote and win several key races.
- 03/22/88 --- The *New York Times* reported about U.S. concern over the past 2 decades over Taiwan's alleged off-again, on-again efforts to develop a nuclear weapons capability. It also noted recent controversy in Taiwan over the disappearance of a senior Taiwan nuclear expert who was thought to be a CIA agent and was presumed to be in hiding in the United States.
- 01/13/88 --- President Chiang Ching-kuo died of a heart attack.
- 07/15/87 --- Martial law ended in Taiwan.

FOR ADDITIONAL READING

Clough, Ralph N. *Island China*. Cambridge, MA, Harvard University Press, 1978.

----- *Reaching Across the Taiwan Strait*. Boulder, Co, Westview Press, 1993.

Gold, Thomas B. *State and Society in the Taiwan Miracle*. Armonk, NY, M.E. Sharpe, Inc., 1986.

Kaplan, David E. *Fires of the Dragon: Politics, Murder, and the Kuomintang*. New York, Antheneum. 1992.

Kristof, Nicholas. "A Dictatorship That Grew Up." *New York Times Magazine*. Feb. 16, 1992.

Long, Simon. *Taiwan: China's Last Frontier*. London, Macmillan and Company. 1991.

Myers, Ramon (ed.). *A Unique Relationship: The United States and the Republic of China Under the Taiwan Relations Act*. Stanford, CA, Hoover Institution Press, 1989.

Simon, Denis Fred and Michael Ying-mao Kau. *Taiwan: Beyond the Economic Miracle*. White Plains, New York, M.E. Sharpe, 1992.

Sutter, Robert G. *Taiwan: Entering the 21st Century*. Asia Society, University Press of America, 1988.

Tien, Hung-mao. *The Great Transition: Political and Social Change in the Republic of China*. Stanford, CA, Hoover Institute, 1989.

U.S. Library of Congress. Congressional Research Service. *East Asia: Disputed Islands and Offshore Claims -- Issues for U.S. Policy*, by Robert G. Sutter. [Washington] July 28, 1992. 15 p.
CRS Report 92-614 F

----- *Japan-Taiwan Economic Relations: Implications for the U.S.*, by Dick Nanto. [Washington] July 20, 1992. 25 p.
CRS Report 92-583 E

----- *Taiwan-Mainland China Relations -- Implications for the United States*, by Robert G. Sutter. [Washington] Aug. 6, 1992. 26 p.
CRS Report 92-658 S

----- *Taiwan's Legislative Election, 1992 -- Implications for Taiwan's Policies and U.S. Interests*, by Robert G. Sutter. [Washington] Dec. 23, 1992. 10 p.
CRS Report 93-41 S